

Rev Asia (REV MK)

Communications - Media

Market Cap: USD45.4m

Buy (Maintained)

Target Price: MYR1.68

Price: MYR1.07

Unlocking The Investment Value

Macro	◆◆
Risks	◆◆
Growth	◆◆◆◆
Value	◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	0.17m/0.05m
Cons. Upside (%)	-29.3
Upside (%)	83.6
52-wk Price low/high (MYR)	0.53 - 0.93
Free float (%)	23
Share outstanding (m)	135
Shareholders (%)	
Catcha Group	58.0
HSC Healthcare	5.3

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	47.6	5.2	1.1	45.2	64.9
Relative	47.5	5.3	(0.8)	43.4	57.4

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Rev Asia is proposing to dispose of its 52.5m iCar shares. The expected gain from disposal is MYR210.2m (subject to changes). It intends to distribute 90% of the gain to shareholders. After the disposal of the equity stake, Rev Asia's bottomline may turn positive as it no longer shares iCar's losses on its income statement. Maintain BUY, with higher cum-dividend FV of MYR1.68 (from MYR1.10).

- ◆ **Unlocking the value.** We have been highlighting to investors that Rev Asia's value does not lie only with its operational growth potential but also in its 27.2% investment in iCar Asia (iCar) (ICQ AU, NR)'s shares. With the proposed disposal, the theoretical net gain (see Figure 2) is MYR210.2m, or MYR1.56/share. 90% of the expected gain will be distributed as dividends to shareholders within three months after the completion date, while 10% would be retained as working capital. Do note that Rev Asia would still need to call for an EGM to get shareholders' approval. It can either sell the shares in tranches or dispose of them in one lump sum via open market or off-market transactions, with the final price to be determined later.
- ◆ **iCar's share performance.** iCar's share price has performed tremendously well since its IPO. It was listed at AUD0.20 in Sept 2012. As at 22 Aug 2013, its closing price was AUD0.61 while the 5-day volume weighted average market price of its shares – up to and including the latest practicable date (LPD) – was AUD1.54. iCar's share price has increased approximately 2.52 times and 7.70 times during the past one year and since its listing date respectively.
- ◆ **Managing the risk.** The completion of the proposed disposal may result in Rev Asia becoming a cash company under Bursa Malaysia's listing requirements, ie consolidated assets consisting of 70% or more in cash or short-term securities. Nonetheless, it is able to rectify its financial position with the intention of distributing 90% of the cash proceeds to its shareholders.
- ◆ **Maintain BUY.** We make no changes to earnings forecasts pending approval for the disposal at the EGM. The disposal may see Rev Asia reporting earnings after the disposal of loss-making iCar. We maintain our BUY call with a higher cum-dividend FV of MYR1.68 (from MYR1.10). This is based on our SOP calculation and the net gain on disposal as highlighted in the announcement.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)	38.8	37.5	36.1	46.9	52.1
Reported net profit (MYRm)	0.01	5.19	2.10	(3.15)	(0.99)
Recurring net profit (MYRm)	1.4	(13.6)	(9.7)	(3.1)	(1.0)
Recurring net profit growth (%)	(82.2)	(1038.2)	(28.3)	(67.6)	(68.6)
Recurring EPS (MYR)	0.01	(0.10)	(0.07)	(0.02)	(0.01)
Recurring P/E (x)	85.2	na	na	na	na
P/B (x)	5.31	4.34	3.23	3.50	3.60
P/CF (x)	30	12	na	71	3,399
EV/EBITDA (x)	46.8	na	na	58.4	35.1
Return on average equity (%)	0.0	20.1	6.3	(8.6)	(2.9)
Net debt to equity (%)		net cash	net cash	net cash	net cash
Our vs consensus EPS (adjusted) (%)				0.0	0.0

Figure 1: SOP valuation

	Basis	Value (MYRm)	Value per share (MYR)
Business segment			
(a) Content Business	Conservatively pegged its FY15F earnings of MYR0.5m to 8x P/E vs other media peers who are trading at around 10-11x.	4.0	0.03
(b) Social Media	Conservatively pegged its FY15F earnings of MYR1.5m to 8x P/E	12.0	0.09
Operational business value			0.12
Cash position			
Expected net borrowings/net cash in FY15F	Expecting very minimal borrowings. 1HFY14 reported no borrowings.	8.0	0.06
10% retained disposal gain	10% of the expected net gain disposal of MYR210.2m	21.0	0.16
Adjusted net cash per share			0.22
Applied discount: 20%	To be conservative		-0.07
SOP Fair Value (Ex-Dividend)			0.27
Expected dividend			
Expected cash to be paid out to shareholders	90% of the expected net gain disposal of MYR210.2m	189.2	1.41
Fair Value (Cum-Dividend)			1.68

Note:

- MYR210.2m is based on calculation as shown in the announcement, illustrated in Figure 2.

Source: Company data, RHB

Figure 2: Estimated gain arising from the proposed disposal

	MYRm
Disposal consideration*	238.4
Adjusted carrying value in 1HFY14	
- Audited carrying value FY13	26.0
- Share of losses in iCar in 1HFY14	(5.0)
- Gain on dilution of interest in iCar in 1HFY14	5.8
- Translation reserve	0.5
	27.3
Balance after deducting adjusted carrying value in 1HFY14	211.0
Less: Reversal of the translation reserve	(0.3)
Estimated gain from proposed disposal	210.7
Less: Estimated expenditure of the proposed disposal	(0.5)
Estimated net gain from the disposal	210.2

Note:

*Calculated based on 52.5m iCar shares at AUD1.54 (or MYR4.54) per share. Amount is subject to changes upon the actual disposal price in the market/off market.

Source: Company data

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-05-27	Buy	1.10	0.88
2014-03-06	Buy	1.10	0.91
2014-03-03	Buy	0.96	0.67
2013-11-29	Buy	0.96	0.68
2013-09-02	Buy	0.96	0.54
2013-05-20	Buy	0.92	0.72
2013-04-18	Buy	0.65	0.45
2013-03-01	Neutral	0.33	0.35
2012-11-27	Neutral	0.43	0.42
2012-08-28	Buy	0.77	0.53

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
Take Profit: Target price has been attained. Look to accumulate at lower levels
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